

**EXHIBIT 120 TO
HARVEY DECLARATION
REDACTED VERSION**

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Proposal of New Google Compensation Philosophy

Summary for Google's Board of Directors
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Broad Employee Base Summary



Google has historically hired top-of-market talent, but we have targeted the market [redacted] percentile for base salary and target total cash. We successfully attracted and retained this talent at a “discount” based on our brand premium and strong growth.

[redacted]

[redacted]

- Googlers value salary more than any other component of pay, substantially undervalue equity relative to the cost to the company, and materially undervalue bonus²

We propose a material increase in salaries, resulting in a [redacted] increase in average total compensation:

	Avg. Base Salary	Avg. Actual Total Cash	Total Comp Spend
Proposed Increase			[redacted]

This has the effect of shifting philosophy of paying cash compensation at the top of the market³:

	Base Salary %ile	Target Total Cash %ile	Target Equity %ile
Current			[redacted]
Proposed			[redacted]

Competitive advantages of top-of-market base pay philosophy:

- Employees adjust lifestyles (and fixed costs) according to base pay⁴
- Most companies (especially startups) lack the margins to support aggressive base pay levels

1. Salary competitiveness based on 2009 Googlegeist
2. Relative comp. element value based on 2008 conjoint study: equity valued at [redacted] bonus valued at [redacted] of base pay
3. Shifting the company multiplier to salary achieves the [redacted] %ile. An additional [redacted] increase is required to achieve our target
4. Based on 2010 Are You Fiscally Fit survey. Googlers adjust personal cost structure proportionally with salary increase/decrease

Broad Employee Base

Detail: Proposed changes to cash compensation



Proposal

- Target top-of-market pay levels for salary and total cash (previously at the [REDACTED] percentile)
- Employees would forfeit company multiplier to partially fund increases

Rationale

- Google hires top-of-market talent, but historically we have targeted the market [REDACTED] percentile for base salary and target total cash. Increasing cash compensation levels will support our goal of attracting and retaining the world's best talent

Program Mechanics

- Shift the upside of the company multiplier / sales uplift to salary (assuming [REDACTED] in-line with 2009 / 2010 performance)
- In addition to moving [REDACTED] into salary, employees forfeit [REDACTED] upside of [REDACTED]
- Starting with the 2011 bonus year, we would calculate bonuses using only target percentage and individual multiplier (adjusting the payout curve to ensure differentiation of high vs. low performers).
- In parallel, implement a flat [REDACTED] base pay increase for all employees

SALARY ¹	BONUS ²	BENEFITS/TAX IMPACT	TOTAL
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[REDACTED]			
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- This would result in:

- [REDACTED] average increase in salary → [REDACTED]
- [REDACTED] average increase in target total cash³ → [REDACTED]

1. Continue standard annual merit increase process using pre-adjustment salaries and budget (no incremental cost above original plan)
2. Bonus savings: [REDACTED] = removing CM assuming [REDACTED] performance [REDACTED] + increasing slope of the individual multiplier curve [REDACTED]
3. Note actual cash (assuming a CM of [REDACTED] would increase by [REDACTED] on average

Broad Employee Base

Detail: Proposed changes to equity compensation



Proposal

- Simplify equity programs by [REDACTED] going forward (for [REDACTED])
- Make equity more frequently monetizable by [REDACTED]

Rationale

- Googlers currently discount the value of equity due to the infrequency of vesting and lack of understanding of stock options

Program Mechanics

- [REDACTED]
- [REDACTED]
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]
- [REDACTED]
- This would result in:
 - No changes to grant value targets
 - Reduction in dilution from annual refresh by [REDACTED] (allowing for future headcount growth within [REDACTED] equity budget)
 - Discontinuation of performance vesting for new hire grants

DOES THIS NEED TO BE REVIEWED BY THE FULL BOARD?

Appendix: Examples of Impact on Salary and Bonus



The following examples illustrate the impact of our proposal for 2010 vs. 2011 cashflows of US-based software engineering and direct ad sales populations:

(values in \$000s)

Title	Current Target with CM=1.0			Current Target with CM=2.0			Post-Adjustment Target (No CM) ¹			% TCC Δ from Curr. CM=2.0
	Base	Bonus %	TCC \$	Base	Bonus %	TCC \$	Base	Bonus %	TCC \$	
Software Engineer Ladder, US										
Direct Ad Sales Ladder, US										

Note: CM = Company Multiplier